

The complaint

Mrs T says Vanquis Bank Limited irresponsibly lent to her.

What happened

Mrs T applied for a credit card from Vanquis in August 2023. Her application was accepted and Vanquis gave her a £1,200 credit limit.

Mrs T says Vanquis did not complete sufficient checks. It would have seen she had a poor credit history and it had already closed an account in her name the year before. This should have raised a red flag.

Vanquis says the correct checks were completed based on the amount of credit provided. And it asked Mrs T if she required any support with her account or if there was anything that it should've been aware of, but she did not disclose anything.

Our investigator did not uphold Mrs T's complaint. She said Vanquis' checks were proportionate and the results did not suggest the credit would be unaffordable for Mrs T.

Mrs T disagreed with this assessment and asked for an ombudsman's review.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 23 April 2024.

Extract from my provisional decision

Prior to lending Vanquis gathered information about Mrs T's salary, housing costs and current credit commitments. It also checked her credit history. Based on these checks combined it concluded Mrs T could afford a credit limit of £1,200.

I am not satisfied these checks were proportionate. I'll explain why.

Mrs T had previously held another credit card account with Vanquis. In November 2022 it upheld a complaint she made about irresponsible lending on this account. It refunded interest and charges of £302.96 and it waived the remaining balance of £785.28 as a gesture of goodwill. It noted in its final response letter that it 'was extremely concerned to read your comments in respect of feeling suicidal and as such I'd like to stress that there are options available to you if you experience thoughts of this nature in the future. We do wish to assist and support you at this time.' So I find it was explicitly on notice of Mrs T's vulnerabilities.

It follows I think Vanquis should have reviewed this previous lending relationship and as a result identified Mrs T was vulnerable. It should have considered the actions it had taken less than a year before lending again. This means I would have expected Vanquis to do more than check the pounds and pence affordability of this new line of credit, particularly given the application date was only nine months since its decision to uphold Mrs T's

previous irresponsible lending complaint.

I cannot see that it took any steps to understand her capacity at the time of this application. I think it ought to have given what it knew about her mental health history. To go ahead and lend without doing so was neither fair nor reasonable. To be clear, I am not saying the information it had from 2022 meant it needed to outright decline Mrs T's application, rather that it needed to get appropriate assurances that further lending was the right outcome for Mrs T.

I note that it says Mrs T did not respond to its text asking if she required any support with her account or if there was anything that it should've been aware of. But that does not change my findings. It already knew that she had been struggling in late 2022 and whilst her individual circumstances could have changed (albeit in a relatively short period of time) Vanquis, as a responsible lender, needed to test that and ask questions. It has not evidenced to date that it did this so I do not agree it carried out proportionate checks.

And in the circumstances of this case this means I cannot fairly conclude Vanquis made a fair lending decision.

It follows I currently find Vanquis wrong to lend to Mrs T.

I then set out what Vanquis would need to do to put things right.

Neither party responded to my provisional decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint about unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

As neither party submitted any comments or new evidence I have no reason to change the findings or outcome in my provisional decision.

It follows, for the reasons set out above, I find Vanquis was wrong to lend to Mrs T.

Putting things right

As Mrs T has had the benefit of the money lent to her it is fair in this instance that she should repay the capital borrowed, but she has also paid interest and charges on a credit line that should not have been given.

So Vanquis should:

1. Refund all the interest and charges Mrs T has paid.
2. If the borrowing is still in place, Vanquis should reduce the outstanding capital balance by the amount calculated at step 1.
3. If, after step 2, there remains an outstanding capital balance, it should ensure that it isn't subject to any historic or future interest and/or charges. But if step 2 leads to a

positive balance, the amount in question should be given back to Mrs T and 8% simple interest* should be added to the surplus.

4. Once Mrs T has cleared any outstanding capital balance, any adverse information recorded in relation to the account should be removed from her credit file.

*HM Revenue & Customs may require Vanquis to take off tax from this interest. If it does, Vanquis must give Mrs T a certificate showing how much tax it's taken off. If it intends to apply any refund to reduce the capital balance outstanding it must do so after deducting the tax.

My final decision

I am upholding Mrs T's complaint. Vanquis Bank Limited must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 22 May 2024.

Rebecca Connelley
Ombudsman